

## Message Text

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PAGE 01 BEIRUT 04251 01 OF 02 301109Z  
ACTION EB-08

INFO OCT-01 NEA-10 SS-15 SP-02 ISO-00 INR-07 L-03  
/046 W

-----111453 301119Z /15

R 291151Z AUG 77  
FM AMEMBASSY BEIRUT  
TO SECSTATE WASHDC 5046

C O N F I D E N T I A L SECTION 1 OF 2 BEIRUT 4251

STADIS////////////////////////////////

FOR UNDER SECRETARY HABIB, ASSISTANT SECRETARY ATHERTON AND  
ASSISTANT SECRETARY KATZ FROM AMBASSADOR

E.O. 11652: GDS  
TAGS: EAIR, LE  
SUBJECT: CIVAIR: US-LEBANESE AIR NEGOTIATIONS

REF: (A) STATE 201512, (B) STATE 060949

SUMMARY: REQUEST YOU TAKE LOOK AT FORTHCOMING CIVIL AIR  
NEGOTIATIONS WITH LEBANON. WE FEEL DEPARTMENT AND  
CAB BEING TOO HARD ON TRANS MEDITERRANEAN AIRWAYS  
WITH REGARD TO TRANS-ATLANTIC SERVICE. NUMBER OF  
FLIGHTS OFFERED APPARENTLY BELOW PROFIT LEVEL AND  
TMA HAS NO GOVERNMENT TO BAIL IT OUT. END SUMMARY

2. NEGOTIATIONS FOR NEW US-LEBANESE CIVIL AIR  
AGREEMENT ARE SCHEDULED BEGIN WASHINGTON SEPTEMBER 6.  
IN SPITE OF DEPARTMENT'S ASSERTION IN REFTTEL THAT  
THERE IS NO CONFLICT IN USG-GOL CIVIL AIR RELATIONS,  
THERE IS IN FACT A VERY BASIC CONFLICT: USG PROPOSES  
FULL BERMUDA TERMS FOR U.S. CARRIER ACCESS TO BEIRUT  
WHILE PLACING FIXED TERM PROHIBITION ON LEBANESE  
PASSENGER CARRIER ACCESS TO U.S. AND SHARP  
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RESTRICTIONS ON LEBANESE CARGO CARRIER'S ROUTES AND  
FREQUENCIES TO U.S. IF THERE WERE NO CONFLICT,  
NEGOTIATIONS WOULD NOT BE SO DIFFICULT.

3. LEBANON IS A SIGNATORY TO A BERMUDA TYPE AGREE-  
MENT WITH US WHICH WE UNDERSTAND IS STILL VALID, THE  
CAB'S ASSERTION OF JULY 13, 1977 TO THE CONTRARY

NOTWITHSTANDING. LEBANESE, OF COURSE, GENERALLY SUPPORT LAISSEZ-FAIRE APPROACH WHICH WAS BASIC TO US POLICY AT TIME OF ORIGINAL BERMUDA AGREEMENT. (IT IS WORTH NOTING IN THIS RESPECT, THAT TRANS MEDITERRANEAN AIRWAYS (TMA) IS ONE OF THE FEW PRIVATELY-OWNED AIRLINES OUTSIDE THE UNITED STATES, AND ALSO ONE OF THE FEW FOREIGN AIRLINES TO SHOW A PROFIT. IT CARRIES ONLY FREIGHT AND HAS BEEN INNOVATOR IN NUMBER OF RESPECTS. TMA HEAD AND PRINCIPAL OWNER MUNIR ABU HAIDAR, LIKE MOST OF HIS COMPETITORS, HAS NOT BEEN ABOVE RATE CUTTING AND OTHER TOO-CLEVER PRACTICES, BUT IS GENERALLY REGARDED AS SUCCESSFUL ENTREPRENEUR WHO HAS MADE HIS OWN WAY IN CUT-THROAT BUSINESS WITH LITTLE HELP FROM GOL. NOTWITHSTANDING AN ALLEGED HISTORY OF COMPLAINTS AGAINST MR. HAIDAR'S OPERATION, WE ARE UNAWARE ANY CAB OR IATA ENFORCEMENT PROCEEDINGS AGAINST TMA.)

4. UNDER 1972 AGREEMENT, TMA HAS BEEN OPERATING EASTBOUND ROUND-THE-WORLD SERVICE THROUGH US PLUS EQUIVALENT OF SIX TO SEVEN WEEKLY 707 ROUNDTRIPS ACROSS ATLANTIC BETWEEN EUROPE AND NEW YORK. ROUTE RIGHTS TO THIS FLIGHT SCHEDULE EXPIRED IN 1976, BUT NEGOTIATIONS FOR NEW RIGHTS WERE POSTPONED UNTIL MARCH 1977 BECAUSE OF CHAOTIC STATE OF AFFAIRS IN CONFIDENTIAL

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LEBANON. MARCH NEGOTIATIONS ABORTED BECAUSE (A) LEBANESE NEGOTIATOR HAD NO INSTRUCTIONS AND COULD GET NONE FROM BEIRUT; (B) US NEGOTIATOR STARTED OFF BY TELLING HIM HONEYMOON WAS OVER AND THEN PROPOSED: (1) ELIMINATION OF TMA'S AROUND THE WORLD SERVICES; (2) REDUCTION OF TMA'S PROFITABLE TRANSATLANTIC RUN FROM SEVEN TO FOUR 707 FLIGHTS PER WEEK; (3) A COMMITMENT THAT MEA, THE OTHER LEBANESE AIRLINE (ALSO A PRIVATE COMPANY), WOULD NOT EXERCISE ITS RIGHT TO OPERATE BETWEEN BEIRUT AND NEW YORK FOR TWO YEARS; AND, (4) UNRESTRICTED TRAFFIC RIGHTS FOR PAN AMERICAN INTO AND BEYOND BEIRUT. LEBANON DID NOT THINK THIS WAS MUCH OF A DEAL AND WITHDREW FROM NEGOTIATIONS.

6. PARENTHETICALLY, I REFER YOU TO PARA 6 REFTTEL (B) DESCRIBING BREAK-OFF OF THESE TALKS WHICH OCCURRED FRIDAY, MARCH 18. USDEL CONSIDERED IT UNFORTUNATE THAT LEBANESE WERE UNABLE TO RESPOND TO THEIR OFFER. IN FIRST PLACE, LEBANESE WERE DISMAYED BY SEVERITY AND TONE OF OUR APPROACH. IN SECOND, THERE WAS NO AUTHORITY IN LEBANON ABLE TO

GIVE THEM INSTRUCTIONS. AND IN THE THIRD, THE  
AFTERMATH OF THE MURDER OF DRUZE LEADER KAMAL  
JUMBLATT ON MARCH 16 MADE RECOURSE TO THE GOL  
EVEN MORE IMPOSSIBLE OVER THE ENSUING WEEKEND.  
FURTHER, THE DELEGATION WAS CONCERNED ABOUT THE  
PHYSICAL SECURITY OF THEIR FAMILIES HERE AND WANTED  
TO GO HOME.

7. FOLLOWING BREAK-OFF OF TALKS, CAB OFFERED A  
REVISED PROPOSAL. ADDING INSULT TO INJURY, THIS  
PROPOSAL, WHICH NOW IN WHITE HOUSE, REDUCES THE  
NUMBER OF TRANSATLANTIC FLIGHTS OFFERED TMA TO  
THREE PER WEEK, WITH NO CHARTERS.

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8. MEA HAS NO INTENTION OF INITIATING A NEW YORK  
SERVICE AT THIS TIME, AND PAN AMERICAN HAS REPRESENTED  
ITSELF TO THIS EMBASSY AS HAVING NO INTENTION OF  
INITIATING BEIRUT SERVICE, SO NEGOTIATING POINTS  
(3) AND (4) APPEAR TANGENTIAL FOR THE IMMEDIATE  
FUTURE. THE PRESSING ISSUE IS TMA'S TRAFFIC  
RIGHTS. ABU HAIDAR IS RESIGNED TO LOSING THE  
TRANS-PACIFIC RUN, ALTHOUGH HE SAYS IT REPRESENTS  
\$10 MILLION IN LOST REVENUE. ON THE NEW YORK RUN,  
HE MAINTAINS THAT THREE FLIGHTS A WEEK IS BELOW HIS  
BREAK-EVEN POINT. HE CLAIMS THAT UNDER PRESSURE  
FROM THE NEW YORK PORT AUTHORITY HE WAS REQUIRED  
TO LEASE A HANGAR AT JFK FOR US \$400,000 PER YEAR  
AND THAT UNDER PRESSURE FROM THE SAME AUTHORITY  
HE INVESTED OVER \$2 MILLION IN RENOVATING THE  
HANGAR. HE ESTIMATES HIS FIXED MONTHLY OVERHEAD  
PLUS LABOR AT JFK AT \$213,485. THIS FIGURE PRESUMABLY  
IS VERIFIABLE.

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ACTION EB-08

INFO OCT-01 ISO-00 NEA-10 SS-15 SP-02 INR-07 L-03  
/046 W

-----112138 301214Z /40

R 291151Z AUG 77  
FM AMEMBASSY BEIRUT  
TO SECSTATE WASHDC 5047

C O N F I D E N T I A L SECTION 2 OF 2 BEIRUT 4251

STADIS////////////////////////////////

FOR UNDER SECRETARY HABIB, ASSISTANT SECRETARY ATHERTON AND  
ASSISTANT SECRETARY KATZ FROM AMBASSADOR

9. WHEN ABU HAIDAR RAISED THE MATTER OF PROFIT  
MARGIN WITH OUR NEGOTIATOR IN MARCH, HE WAS TOLD  
THAT WAS HIS PROBLEM. THIS IS PERHAPS AN APPRO-  
PRIATE REPLY TO A SUBSIDIZED AIRLINE, OR TO ONE  
WE WANT TO PUT OUT OF BUSINESS. IF WE EXPECT  
PRIVATE FOREIGN CARRIERS TO OPERATE TO AND FROM THE  
UNITED STATES, HOWEVER, IT SEEMS ELEMENTAL THAT  
THEY BE ABLE TO DO SO AT A PROFIT.

10. ABU HAIDAR ALSO CLAIMS THAT IF HE ABRUPTLY  
SUSPENDS OPERATIONS ACROSS THE ATLANTIC HE RUNS  
THE RISK OF EXPENSIVE CONTRACT SUITS FROM BOTH  
ARAMCO, HIS MAJOR TRANS-ATLANTIC CUSTOMER, AND  
THE TEAMSTERS UNION LOCAL AT JFK. WE DO NOT KNOW  
HOW JUSTIFIED HIS CONCERN IS, BUT THAT AGAIN  
SHOULD BE ASCERTAINABLE.

1. WE WOULD NOT LIKE TO THINK THAT OUTRIGHT  
ELIMINATION OF TMA FROM THE ATLANTIC RUN IS  
CAB'S AND DEPARTMENT'S GOAL, BUT THE RATHER  
COMBATIVE TONE OF REFTEL MAKES US WONDER WHETHER  
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THAT IS NOT IN FACT THE INTENT. ABU HAIDAR IS NOT  
MAKING DEMANDS; HE IS MAKING PROPOSALS. HE IS NOT  
TRYING TO ENHANCE HIS COMPANY'S POSITION, HE HAS NO  
ILLUSIONS THERE, BUT HE IS TRYING TO PRESERVE IT. AND  
OF COURSE HIS PROPOSITION WAS SELF-SERVING, AS  
INDEED HAVE BEEN THE PROPOSALS PUT FORWARD BY THE  
CAB -- ONE DOES NOT EXPECT OTHERWISE IN A NEGOTIA-  
TION.

12. AS YOU MAY HAVE GUESSED BY THIS TIME, I AM DISTURBED  
BY DEPARTMENT'S APPROACH TO THIS PROBLEM, AND BY  
TONE OF REFTEL IN PARTICULAR. I UNDER-  
STAND OUR DUTY TO PROTECT INTERESTS OF AMERICAN  
AIRLINES BUT IT DOES NOT SEEM APPROPRIATE FOR US TO  
TAKE SUCH HOSTILE ATTITUDE TOWARDS PRIVATE ENTRE-

PRENEUR WHO IS PURSUING LEGITIMATE INTERESTS OF HIS COMPANY. NOR, AT A TIME WHEN WE ARE LOOKING FOR MEANS TO SUPPORT THE ECONOMY OF LEBANON, DOES IT SEEM APPROPRIATE TO EXTRACT THE MAXIMUM FROM A WEAK LEBANESE NEGOTIATING POSITION AND THEREBY COUNTERVAIL THAT LARGER POLICY.

13. SEEN STRICTLY AS A MATTER OF AIR TRAFFIC RIGHTS, OUR CAPACITY TO DEAL SEVERELY WITH MEA AND TMA TO THE ADVANTAGE THEIR U.S. COMPETITORS IS REMARKABLE, THANKS LARGELY BUT NOT TOTALLY TO EFFECTS OF LEBANESE CIVIL WAR. WHETHER TO DO SO IS IN BEST LONG RANGE U.S. INTEREST I VERY MUCH DOUBT. NEGOTIATIONS TAKE PLACE IN CONTEXT OVERALL U.S. POLICY TO ASSIST LEBANON TOWARD ECONOMIC RECOVERY AND POLITICAL AUTONOMY VIS-A-VIS HER NEIGHBORING STATES. MORE NARROWLY, THEY TAKE PLACE IN CONTEXT RATHER LARGE INTER-CONFIDENTIAL

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NATIONAL DONATIONS AND LOANS TO LEBANON, OUR OWN NOT LEAST AMONG THEM, WHICH GAVE RISE TO COMMERCIAL OPPORTUNITIES FOR U.S. FIRMS TOTALING MANY MILLIONS OF DOLLARS. MORE NARROWLY STILL, MEA IS A DEBTOR TO EX-IM FOR PORTIONS OF EXISTING FLEETS (AGGREGATE INDEBTEDNESS \$49.65 MILLION) AND WITH TMA REPRESENTS FUTURE MARKET FOR U.S. AIRCRAFT SALES IF CONDITIONS JUSTIFY CURRENTLY PROGRAMMED FLEET REPLACEMENTS AND, IN COMING DECADE, EXPANSIONS.

14. IN THIS LIGHT FOR U.S. TO INFLICT MAXIMUM POSSIBLE DAMAGE ON THE LEBANESE AIRLINES WILL BE SEEN HERE AS CONTRADICTING BROADER POLICY OF SUPPORT FOR LEBANESE ECONOMY. IT IS THEREFORE MY STRONG HOPE THAT OUR SIDE WILL APPROACH THE NEGOTIATIONS COGNIZANT OF THE BROADER ASPECTS OF OUR RELATIONS WITH LEBANON, SYRIA AND ISRAEL, AND THAT THE ADVANTAGES WE GAIN NOT CRIPPLE THE LEBANESE PARTIES. AMPLE ROOM EXISTS, I AM CONVINCED, TO PRUNE BACK TMA'S U.S. OPERATIONS WITHOUT DESTROYING THEM AND TO SECURE PAN AM RE-ENTRY TO PRIME ACCESS ROUTE TO BEIRUT WITHOUT DENYING MEA A COMPETITIVE POSITION ON THE SAME ROUTE. CONFIDENTIAL SIDE LETTER OR OTHER SIMILAR MEANS OF ASSURING MEA WE DO NOT INTEND TO WIPE THEM OUT ON LONDON-BEIRUT RUN STRIKES ME AS FEASIBLE WAY OF RESOLVING OPEN-ENDED CHARACTER OF PAN AM'S RE-ENTRY THAT, DESPITE ASSURANCE PARA 2 REF (A), LEBANESE GENUINELY FEAR.  
LANE

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## Message Attributes

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**Decaption Note:** 25 YEAR REVIEW  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
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